

# NATIONAL REVIEW

## Bulletin

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**T**he contest between Mr. Nixon and Senator Goldwater has clearly begun, and Mr. Nixon's elder-statesmanship cannot wish it away. Last week when both made appearances at Minneapolis before the Young Republican National Federation, the press carefully noted which had more applause (Goldwater), which was met at the airport by more people (Nixon), whose hotel room was most full of flowers (?), and so forth.

Mr. Nixon is cast in a new role in the current political epoch. Until yesterday, he had pre-emptive rights to conservative support, both because he was once himself a tough and purposive anti-Communist and made all the right enemies, and because he appeared to be the conservative alternative to Nelson Rockefeller.

But now Goldwater emerges as a serious and viable choice for American conservatives and Mr. Nixon must perforce move over. Actually, he had already moved left: but now he must formally acknowledge that move, by talking about the conservative bloc within the Republican Party in stepfatherly accents. From his "middle ground" he is fighting very hard to paint Senator Goldwater as a nice fellow but just out of this world, and to that end last week he flashed one of those wonderful long knives that politicians use, whose movements are quicker than the eye. Thus Nixon is "distressed" by the arbitrary rejection of the views of some Republicans by other Republicans. Whereupon he rebuked "extremists whose conservatism

was expressed in what he called clichés." (He means Goldwater, and everybody knows he means Goldwater.) In his formal speech, Mr. Nixon warned the Young Republicans that they risked destroying one another and the party's chances for victory next year through "petty personal attacks," such as have been leveled against Rockefeller. (What does he mean? The attacks on Rockefeller have been anything but personal. There's nothing wrong with Rockefeller personally, that we know of. It's just that he acts like a left-Democrat.) "If we fail to make substantial gains in the contests for governors, congressmen and senators," Mr. Nixon continued, "it will be because we beat ourselves due to a flare-up of an old Republican malady—cannibalism."

We do not profess to know what Mr. Nixon, the historian, has in mind. But his words are aimed at the supporters of tough conservative policies, urging them to mitigate their demands. Goldwater is on to something: the marriage of a party to a set of propositions—a retreat from the idealessness of Eisenhower. "The moderate philosophy of the Eisenhower Administration," said Mr. Nixon, "which I expanded and supported in the campaign, is proper and best for the party . . . I am proud of those in the party who do not take an extreme conservative position." Mr. Nixon is proud of anyone who is pro-Mr. Nixon, and that is altogether human. What he must be brought to realize is that the impotence with which the opposition to Kennedy is now being conducted is the direct result of the eviscerations of the past eight years. Last fall many voters, having intuitively subtracted principle from the Republican Party, realized that all that was left was Nixon. There are some extremists who want more.

## The WEEK

● U.S. Communist Party leader Gus Hall held a press conference following the Supreme Court decision upholding the Smith and McCarran Acts. He announced "a massive educational campaign to save the Bill of Rights." From the transcript: "Question (by a reporter) Do you believe the Bill of Rights should cover the John Birch Society? Answer (by Comrade Hall) No. The John Birch Society is out to destroy the Bill of Rights."

● In a public letter to the *New York Times* (June 26), Thomas J. Dodd of Connecticut, a leading senator of the President's own party, with access to all relevant information concerning nuclear weapons and foreign affairs, declares flatly: "The moratorium on nuclear testing was . . . the most fatuous bipartisan blunder we have ever committed in the field of foreign policy." Senator Dodd demonstrates why it is not merely possible but probable that the Soviet Union has been conducting secret tests; why Soviet priority in achieving the neutron bomb might "confront us with the choice between surrendering without battle or engaging in all-out thermonuclear war"; why a frank resumption of testing would win us not condemna-

tion but "overwhelming understanding and support from free men everywhere." These views are shared by nearly all those qualified to speak on such matters: by the Atomic Energy Commission; the Joint Congressional Committee on Atomic Energy; the Joint Chiefs of Staff; Hanson Baldwin and the other leading military commentators; the scientists like Edward Teller who have in the past been proved right on both the technical and political aspects of nuclear weapons development. But a fog of Hamlet-like indecision—"To test or not to test?"—still smothers the President's power of decision on this as on so many other issues vital to the nation.



Endean, Australian Bulletin

*"I put it to you . . . do we 'maintain a speed-up self-government pro-Western policy, become joint sponsors of an Indo-Asian disengagement zone pact—pending tentative negotiations with the great Powers to declare a non-nuclear region; appoint a select committee to form a Soviet-Sino technical trade alliance of non-aggression hands off whites, intra-zonal mutual co-existence treaty' . . . or don't we?"*

● Moise Tshombe is, at press time, a) out of the clutches of the central Congolese government and the UN, which is good; b) back in Katanga, which is excellent; c) on record with a series of contradictory statements about his relations with the central government, which is puzzling, though possibly to be explained by the varying circumstances (under duress in opponents' hands, and in freedom with his own followers) under which he made them; and d) on a thirty-day vacation, which beats all.

● Even the University of California, Los Angeles campus, has been infected by the Conservative Revival, so anything can happen. Lois Feinberg, a history senior representing her class at UCLA's commencement exercises, warned her fellow graduates against the dangers of "conformity, socialism and becoming organization men." She urged them to "preserve the freedom to be individualistic. I dare you to stand alone." And physics Ph.D. Edward Hyde Erath, who was spokesman for those getting post-graduate degrees, called for an end to "imploing the government to solve our problems." He recommended more "individual effort and initiative" to arrest the "horrifying progress toward destruction of our republic."

● The AFL-CIO executive council, under George Meany's leadership, continues to make more sense on international problems than any other of our major institutions, civilian or governmental. From the statement issued after last week's meeting in Pennsylvania: resume nuclear tests; put tighter chains on shipments of machinery and food to Iron Curtain countries; stand fast at Berlin against "Soviet imperialism," and reject "completely, absolutely and conclusively" Senator Manfield's appeasing "free city" proposal; rather than appease the Soviets, reaffirm support of self-determination through free elections as key to German reunification.

● Intransigent? Not Indonesia's President Sukarno. Why, only last week he said he was willing to meet with Dutch negotiators any time to discuss the future of Dutch New Guinea (which Indonesia claims), provided only the Dutch agree, prior to the meeting, to transfer its sovereignty to Indonesia. He must have been taking lessons from Jimmy Hoffa.

● The eight-man UN committee, appointed by Secretary General Dag Hammarskjöld to recommend administrative changes in the UN structure to promote "maximum economy and efficiency" did not quite accept Khrushchev's proposal to replace Dag's own office with a three-man, or Troika, Secretariat. But Moscow had no reason to be disappointed with the committee's report. It concluded that economy and efficiency will be best furthered by parceling out a major slice of UN jobs to nationals of the non-Western nations. (Even before the report was filed, the UN had suspended recruitment from the U.S. and Western Europe.) The goal is to be an allocation of jobs according to population rather than any such undemocratic, imperialist factor as a nation's contribution to the UN budget or its literacy and technical level. Thus the U.S., paying \$148 million of the UN's \$335 million 1960 budget, will be assigned 10% fewer jobs than the Soviet Union, paying \$18 million. India, with only a tenth as many literate and trained citizens as are needed for her own domestic tasks, will get 2½ times as many cushy, tax-free UN posts as we do. And think of the personnel office's field day when Communist China moves gaily into the East River meadows!

● Liberal grandfathers had better watch their step. The Hamilton County Teen-Age Conservative Republicans of Signal Mountain, Tennessee (507 Carolina Avenue) have begun regular publication of the teen-age *Conservative Newsletter*. It costs \$1.00 for ten issues, which editor Jon Mack points out don't really cost that much "because a dollar isn't worth a dollar any more but this newsletter is!"

## Our Junior Machiavellis

On the front page of the June 24 issue of the *New York Times*, a Washington dispatch under the byline of William J. Jorden disclosed the new joker of our psywar gamesters. We will offer the Chinese Communist Government a seat in the UN General Assembly, giving her "equal representation with Nationalist China . . ."

But—ah, the diabolical cleverness of these Harvard Machiavellis!—"Peiping would almost certainly reject the proposal." Thus, without its costing a nickel, the U.S. would be relieved "of the charge that it is 'ignoring the 600 million people of mainland China'."

We are in for exciting adventures in foreign policy, all right, if we are now ready to make any offer to the enemy so long as we feel sure he will turn it down. Why not offer Khrushchev Fort Knox? He'll never accept, because he'd be scared all that gold would turn Russia capitalist. And we'll be relieved of the charge that all we are interested in is making a fast buck. Let's offer to give up our overseas bases; Khrushchev wouldn't agree, because then he couldn't call us imperialist warmongers.

No doubt Peiping would refuse. That probability is what proves the idea's surpassing irresponsibility—a quality, the Cuban precedents suggest, that may come to be the hallmark of the new Administration. Merely making the offer would of itself bring the damaging effects of its acceptance: on Free Chinese morale, on the allegiance of the overseas Chinese, on Free World resistance to Communist Chinese power and expansion. It would, moreover, automatically destroy the historical, political and moral case that we have painstakingly made in the past against recognition and the UN membership. If we admit that the Peiping government belongs in the UN Assembly as a legitimate successor to our wartime ally, the pre-Communist Chinese government, then Peiping has a much better claim than Taipei to the seat in the Security Council. And we would no longer have any objective excuse for withholding our own diplomatic recognition.

Could it be that this is precisely the reasoning back of this involution? That playing it—and having it refused—will make inevitable the further and final steps toward abandonment of Free China, with Mao's government granted the Security Council as well as the Assembly seat, and the house on Embassy Row?

A trial balloon? On page 4 of that same issue of the *New York Times*, another dispatch from Washington announced the appointment to the State Department's Policy Planning Council of the very same William J. Jorden.

**PEOPLE:** Ramon Mercader, Leon Trotsky's assassin, who was sneaked out of Mexico on a Czech passport after serving his term, has now turned up in Havana. He goes under one of his youthful aliases, Jacques van der Dresch, and is attached to Soviet Embassy. . . . **Shades of Tokyo Rose:** Robert Taber, founder of Fair Play for Cuba Committee, now broadcasting anti-American news reports over Radio Havana. . . . Cuban Government has confiscated and burned shipment of **Boris Pasternak's** Soviet-banned *Dr. Zhivago* on ground it "runs counter to the Cuban revolution." . . . From the overflowing **Bowles:** Among positive programs the United States should have taken to prevent Fidelismo in Cuba was the "training of more Cuban doctors." (The fact: Cuba in 1958 had higher concentration of doctors than the U.S., was exporting a doctor surplus.) . . . That latest UN agricultural grant to Cuba will cost the U.S., according to Senator **Capehart's** estimate, \$463,000.

To be widely used in ADA drive for recognition of Red China, a pamphlet by political science professor **Robert Scalapino** of the University of California. (It recommends: recognition of Red China, "free elections" in Formosa, abandonment of Quemoy and Matsu, diplomatic ties with Outer Mongolia.) . . . On the way out, in UN reorganization, **Dag Hammarskjöld's** executive assistant **Andrew Cordier**, U.S. citizen who played large part in events leading to dismissal and subsequent death of **Povl Bang-Jensen**. . . . Reps. **Bruce Alger** (Texas), **Charles Goodell** (N.Y.), **Dale Alford** (Ark.) among congressmen introducing material in *Congressional Record* protesting treatment of Gen. **Edwin Walker**. . . . **Hans Sammet**, attorney for the *Overseas Weekly*, which triggered Walker investigation, admits paper is now ready to drop its slander charge against the former commander.

Remember all that hullabaloo when Vice President **Richard Nixon** bought a house in Washington and signed a restrictive covenant governing resale? Anyone heard any hullabaloo about fact Vice President **Johnson** just bought **Perle Mesta's** Spring Valley house, presumably signing same covenant? . . . **Murray Chotiner**, incidentally, will manage Nixon's campaign in California if Nixon does run against Gov. **Pat Brown** next year. . . . Also entering N.Y. Mayoralty race (there's just about no one who isn't), **Vito Battista**, a conservative Republican, who will run against machine-picked GOP nominee **Louis Lefkowitz** in Sept. 7 primary. (Battista, an independent in 1957, polled 70,000 votes.)

Conservative Italian magazine *Borghese* summed up Vienna Summit with this equation:  $K + K = \text{Kaput}$ .



## The Lonely Seas

The issues raised by the shipping strike are of course different from those that caused it, the latter having mostly to do with how much of a cut American labor unions are going to get out of ships registered in foreign ports, the former having to do with the nation's health.

President Kennedy has now invoked the Taft-Hartley Act, which was enacted by the "worst Congress in history" over the veto of his Democratic predecessor and as recently as two years ago was denounced as a slave labor law by his present Secretary of Labor. During his campaign, Mr. Kennedy spoke darkly about implicit Presidential powers which might have to be used in the future to protect the nation against a crippling strike. Mr. Kennedy elaborated that the psychological leverage an artful Chief Executive can exercise on unions and management could flush out intransigence and keep business rolling.

But with the President's wonted ineffectiveness, nothing concrete has been proposed, primarily for the reason that what needs doing is not a conferral of power on the President to seize industries at will, but legislation denying any given labor union the right to speak for more than a given percentage (say 10%) of an industry, or to call a strike within 60 days of a strike by another union in the same industry: i.e., extend the anti-monopoly principle.

It is said that the power of the labor unions is simply too great to make possible such legislation. It is also said (see, e.g., Professor Arthur Schlesinger's *Kennedy or Nixon: Does It Make a Difference?*) that Kennedy is a great leader who has the power to focus the attention of the people on what needs to be done. Mr. Kennedy might begin by asking for such legislation. Certainly hearings should be held to discuss it, or related proposals, which would withdraw from one man, or a small group of men, the power to void the Atlantic and Pacific oceans of shipping.

## Fresh Winds from the West

It is permissible to be a little confused about the convention of the Young Republican National Federation, held last week in Minneapolis. The struggle for the chairmanship (which normally reflects trends in the senior party) was narrowly lost by Indiana's Robert E. Hughes, a Jenner protégé and avowed supporter of Barry Goldwater. But the winner, Leonard Nadasdy of Minnesota, who had the backing of many delegates still close to Richard Nixon, vehemently protested his own conservatism. It was prudent that he did so, for the convention went on to reject his running-mate for co-chairman—a young lady from New York, who had to suffer for her governor.

The platform adopted by the delegates was straightforward. It demanded resumption of nuclear tests, enforcement of the Monroe Doctrine, revision of the tax structure to encourage capital accumulation, gradual restoration of a free market in agriculture, and elimination of

## • At Home •

Washington

**Very little doubt** now exists among political observers that the major foreign policy voice in the fumbling, stumbling Kennedy Administration is that of Adlai Stevenson. President Kennedy has, at least within the councils of government, given up the pretense that he has the foggiest idea of what should be done about Cuba, Laos, and Berlin. (In domestic policy, he maintains the semblance of leadership only because of the Florentine activities of brother Bobby, ostensibly the Attorney General, whose private Mafia keeps the Congress in line.) Secretary of State Dean Rusk has shown himself to be a weak reed—fearful at once of the Communists, the Liberals, and the growing GOP opposition. In this Executive context, the limpness has gone out of Stevenson—and in foreign policy matters, his is the voice to which attention must be paid.

Even Joseph Alsop, the stars now dimmed in his eyes as he takes stock of the Kennedy Administration, concedes that Mr. Stevenson torpedoed effective action by the United States during the ill-fated invasion of Castroland. Until four hours before the Cuban Freedom Fighters capitulated, there was more than a chance to save the day. But Mr. Stevenson's outraged howls led President Kennedy to refuse the air cover both CIA and the Pentagon had promised, and to immobilize the Navy. Since then, he has urged the Administration to take no action against the admission of Red China into the United Nations, and encouraged the appeasement trial balloon by Senate Majority Leader Mike Mansfield on the Berlin question. The proposal by Senator Mansfield to capitulate to Soviet pressure by making Berlin a "free city" is not a new one. He offered it in 1958, during the first crisis. But he was not then the leader of all the Senate Democrats.

The source of Mr. Stevenson's power is not his silver-plated tongue. In part it derives from the fact that President Kennedy has been in desperate pain for far longer than press czar Pierre Salinger will admit and his thresholds have been low. But Mr. Stevenson has at his disposal the State Department's middle echelon, confirmed saboteurs of a firm U.S. policy *vis-à-vis* the Communists. Confronted by the backstairs intrigue endemic to Foggy Bottom and by the nagging efforts of Mr. Stevenson, both President Kennedy and Secretary Rusk have fallen victim to frustrated impotence. It is being suggested by the more hard-headed that only a miscalculation by Khrushchev—some outrageous step which even President Kennedy cannot overlook—will save this country and the West.

**The decade-long legal battle** to have the Communist Party declared a Communist-action group has been quietly reopened by Supreme Court Justice Felix Frankfurter.

Acting on his own, and without consulting the Court's majority, Mr. Justice Frankfurter issued a stay on any action against the Communists until next October. In other words, with the stroke of the pen, he postponed any immediate action on the Supreme Court decision upholding the provisions of the Subversive Activities Control Act which ordered all Communists to register with the Justice Department and to label their pronouncements and propaganda. This means that the Federal Bureau of Investigation, which has been ready to move energetically against the Communist Party, crippling its activities and sending its members to their long-merited reward in federal prisons, has once more been stopped dead in its tracks. It is being said in Washington that the Attorney General let it be quietly known that the Justice Department would not be averse to the Party's motion for a stay.

Whether or not this report is true, it is a fact that Bobby Kennedy seems far more interested in mounting an all-out offensive against American business than in other matters, even those of internal security. It was his personal intervention which led to the release of two Soviet spies in Chicago—but the quality of his mercy is patently strained when it comes to dealing a blow at General Motors or leaking stories to the press that American Telephone & Telegraph is under anti-trust "investigation." The younger Kennedy takes a long view. He is thinking ahead to 1964—and he knows that the prosecution of Communists merely stirs up the Liberals against the Administration, whereas the AFL-CIO and ADA react orgasmically to any attack on the free enterprise system. Despite the Administration's failure to impose dictatorial rule on the Securities and Exchange Commission—via a "reorganization" plan vesting most of its powers in a Kennedy-appointed chairman—the Keynesian ideologues who surround the President and his brother still hope to strike such terror into the business community that it will docilely come to heel when next the people choose their Chief Executive.

**At labor's Sixteenth Street** palace, the AFL-CIO leadership is keeping a wary and worried eye on IUE President James Carey. It is not longer any secret that the officers and rank-and-file of the International Union of Electrical Workers are in open revolt against Mr. Carey. It is even less of a secret that he has shouted and ranted against this opposition to his erratic rule—and even scratched the face of his Secretary-Treasurer, Al Hartnett. The problem for the AFL-CIO is how to ease out Mr. Carey without creating scandal or disturbing the delicate balance of power between the industrial and craft unions within the merged federation. Mr. Carey's actions have been playing directly into the hands of the UE, expelled for Communist-domination from the CIO. Further difficulties will aggravate this situation. But will Jim Carey go quietly? Echo answers no.

QUINCY

compulsory social security. It opposed federal grants for teachers' salaries and school construction, and urged withdrawal of American financial support for the UN if Red China becomes a member.

Nor was there anything ambiguous about the swing of the college Young Republicans to resurgent conservatism. As their chairman, they named James Harff of Northwestern University, a member of Young Americans for Freedom. He promptly announced that "today's so-called 'liberalism' is a sinking ship," and described his own victory as "a definite vindication of the principles set forth in *The Conscience of a Conservative*."

**BRIEFS:** West Germany has so much cash in its unemployment reserve fund that it has declared six-month holiday on employee-employer payments into it. In June, West Germany had only 12,000 registered unemployed. . . . The Bonn government has proposed to the Bundestag a \$2.5 million contribution (Foreign Aid) to New York's ambitious Lincoln Center. . . . **British Labor leader Hugh Gaitskell has won out against powerful leftwing Labor faction urging unilateral nuclear disarmament.** . . . Much publicity over fact Albania has closed her Valona Bay base to Soviet submarines as a result of latest Khrushchev-Hoxha brouhaha; not played up, the fact that modern Russian submarines have been operating for some time from Nasser's submarine base in the Bay of Abukir. . . . Leaders of former French colonies in Africa alert to dangers of Soviet-style power politics. Says President Houphouet-Boigny of the Ivory Coast: I'm not afraid of the Russians; what I fear are their ideological allies in Africa (Guinea, Ghana, Mali, etc.) . . . **Says President Fulbert Youlou of the Congo (Brazzaville): "What I have against Guinea and Mali is not so much their socialism but the fact that they have brought Morocco, Egypt and Yugoslavia into the affairs of Black Africa."**

Ballantine Books pushing hard a paperback by Frank Donner calling for abolition of House Committee on Un-American Activities. (Publication date: July 17. Title, *The Un-Americans*.) The publishers describe Donner merely as a "Constitutional lawyer." Omitted data: Donner was identified under oath as a Communist; has taken Fifth Amendment before HUAC. . . . **Worker, official organ of U.S. Communist Party, now published weekly, will become semi-weekly after Labor Day.**

The official paper of the Ghanaese ruling party suggests that Great Britain be expelled from Commonwealth for supporting Portugal in recent UN vote on Angola.

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## • Trends •

**"It is now painfully clear** that the Negro's relief from injustice is, and will be, directly proportional to his ability to embarrass and pressure the government during hours of international crisis."

So wrote Negro journalist Louis E. Lomax in the *New Leader* shortly after the dust of battle had settled over the Montgomery bus depot and the first wave of Freedom Riders had proceeded to invade Mississippi with logistical support to make a Cuban refugee weep. Since then, scores of Riders have gone skylarking off to Deep South jailhouses. But, except for rare lapses into candor on the part of commentators like Mr. Lomax, the revolutionary doctrine euphemistically called "non-violence" is still a mystery to the majority of Americans.

It need not remain so. Nor does one have to accept at face value the Kennedy Administration's pious law-and-order posture on civil rights. For the truth let drop by Mr. Lomax is that the Negro agitators' power over the Federal Government is considerable. And the truth left unsaid is that this power is directly proportional to the Administration's willingness to let itself be used.

Mr. Lomax tacitly concedes what has so far gone strangely unremarked by the simplifiers and explainers of the press: that the strategy of "non-violence" is inherently coercive. The first target, of course, is the person of the white Southerner. The Negro enters physically into a situation where his presence is undesired and/or illegal. Moreover, he comes with the thought that violence should occur. One front-line Rider, the Reverend James M. Lawson of Nashville, shrugged off police protection with this explanation: "Only when hostility comes to the surface will people see the true character of the nation."

That makes the second target of the Negro maneuver the Federal Government. For, Mr. Lawson might have added, only when heads are cracked to the popping of flashbulbs can the Negro militants gain the weapon of publicity with which to embarrass and pressure the government.

Not that the Kennedy Administration needs much shoving. What it needs is an acceptable excuse. The hasty mobilization of federal marshals by Attorney General Kennedy reveals the Administration's propensity to move hard and fast on civil rights, given the right circumstances. These were nicely provided by the ineptitude of Alabama's Governor Patterson and Montgomery's redneck police chief. But the Freedom Riders were the catalyst; therefore, something of a godsend to an Administration which needed to prove it really meant what the Democratic platform said about civil rights.

To understand Negro influence over the Federal Government, one must first realize that this country's domestic race policy, to an extent unimagined by the ordinary citizen, is determined by the image-makers in Washington. What counts in their calculations is the good opinion of Nehru, Nkrumah, Mboya and the whole coterie of non-

white neutralists. Such Liberal ideologues as Adlai Stevenson cannot hold up their heads if Alabama (or whatever the current hot spot may be) is not summarily put down. To men of this temper, the incredible promises and platitudes of the Democratic platform are inseparable from the Constitution and as worthy of vigorous enforcement.

Along with the ideologues one finds the hard, shrewd and cynical pols who wed ideology to power. Such men calculate policy in terms of the huge and growing Negro urban blocs of the North. Not New Delhi but Cook County is foremost in their minds. Given the necessities of last year's campaign and this year's congressional maneuvering, Alabama and other Deep South states are not absent from their power equation either. So the problem facing the pros is one of balance. Intent on preserving the President's alliance of expediency with Liberal Dixiecrats, the pros have shunned the civil-rights plank. Next year, if New Frontier handouts pay off, this uneasy accommodation can be scrapped. But for now, patience—unless opportunity beckons.

**Enter the Freedom Riders**, ready and willing to do the dirty work of reforming Dixie. Well-connected politically, too. No Administration with as much trouble, past and potential, as this one exactly welcomes more. Yet here, unmistakably, is opportunity. That it was grabbed is history. Now anyone who suggests that the Administration has cynically shelved civil rights, as it plainly has, will have thrust under his nose the picture of young Bobby Kennedy in shirtsleeves at his command-post, haggard but heroic after . . . after what? Making Montgomery obey the law? Well, not exactly, since the Freedom Riders broke the law first. But whatever Bobby did, it was great, image-wise.

Let us close as we began, with Mr. Lomax. As he writes, the U.S. Government can be pushed. Indeed, it is so ready to go along with the right people, moving in the right direction, that Bobby Kennedy even helped route the bus invasion of the South. The marshals were at Montgomery; the troops stand ready. The FBI is busy preparing dossiers on segregationist firebrands in cities the Freedom Riders plan to hit. To all appearances, the Negroes have got the whole power and prestige of the Federal Government within easy grasp.

But what they haven't got—not by a very long shot—is the atmosphere of moral confusion they set out to create. Instinctively, the nation as a whole has balked at the idea of forsaking the slow-moving courts in favor of the "moral test-case" on a Southern street corner. Also, the majority of Americans are not nearly so exercised about civil rights as the Negro zealots and Washington image-makers suppose. Unless it is *their* civil rights—if any—as opposed to the civil righteousness of a shrill and shoving minority. With his call for a "cooling-off period," Robert F. Kennedy, politician, let it be known that an Administration still consolidating its power-base didn't intend to take any bus ride that would leave most of the people behind.

ROBERT PARKER



## • Abroad •

**London.** The decision has been made to come to terms with the European Economic Community (Common Market). There is still opposition to be overcome; from the extreme right of Mr. Macmillan's own party; from both extreme right and extreme left of the Labor Party; from the farmers of England, New Zealand and some other Commonwealth countries, who will lose Commonwealth preferences and tariff advantages; from Canadian manufacturers afraid of direct West European competition. But the economic facts of life—above all, the continuing Common Market surge while the British economy wallows in a doldrum—are too strong to resist much longer. The earlier complaint of many British workers, that the British wage level would be pulled down to the Continental, is fading in the face of statistics showing that Continental wages may soon move ahead of British. Mr. Macmillan's special envoys are now busy quieting doubts in the Commonwealth capitals, and sounding out Rome, Paris and Bonn on what sort of deal Britain may expect.

**Saigon.** The anti-Communist leaders of South Vietnam, who are well aware of Britain's prime role in furthering the "neutralization" of Laos, have read with dismay a lead editorial, "Time-Bomb for Defusing," in the latest issue of the influential British *The Economist*. As "the most promising areas for . . . demilitarization and neutralization," *The Economist* now offers two nations "usually omitted in discussions of this kind: Vietnam and Korea." To accomplish such "disengagement"—in which the exit of all U.S. troops as well as drastic reduction of the "inflated" South Korean and South Vietnamese armies are listed as prerequisites—*The Economist* finds that "the potential gains are great enough to justify the attempt." It may be confidently predicted that the last has not been heard of this modest proposal.

**Belgrade.** During the past few months, several reforms have shifted the Yugoslav economy a number of degrees toward liberalization, closer adjustment to the world economy, and greater domestic reliance on market mechanisms as against administrative controls. Multiple rates of exchange have been abolished in favor of a single fixed commercial rate (734 to the dollar), with a third of imports removed from all controls. Yugoslavia has thereby become the first Communist country to permit any regularized free convertibility or free trade. The manufacturing and business profit tax has been changed from a steeply progressive rate to a uniform 15% (plus a 25% surtax, which may be lowered, on annual profits above 6% of total assets). A tightening up on inefficiency and feather-bedding has been accompanied by more leeway on incentive payments. The official theory seems to be to try to allow a considerable free play of market forces within a general economic plan imposed primarily through governmental control of credit and investment.

**Nuremburg.** The annual meeting of the Federation of German Industries pointed with pride to the fact that over the past decade real wages in West Germany have risen 73%, as against 50% in France, 27% in the United States and 11% in Britain. Ludwig Erhard celebrated by publishing another in his personal series of newspaper advertisements in praise of free enterprise: "A home of one's own, travel, opportunities for professional and cultural education, furniture and better household equipment, good clothes, rising pensions, millions of cars and television sets—prosperity through performance, that is to say—these are the fruits of our work in the spirit of a competitive social economy."



Vicky, London Evening Standard

**Nairobi, Kenya.** P. J. H. Okondo, speaking for the Kenya African Democratic Union (KADU), which has formed Kenya's first native-majority legislative council, lists the return of Jomo Kenyatta (chief of the Mau Maus) to public life as the first great task that Kenya faces. Second he puts formation of an East African Federation of Kenya, Uganda and Tanganyika (KEUTA), with Kenyatta as Head of State. To spur Keuta's development, he demands complete independence for all three by the end of this year. "To us Keutans," he notes in a recent declaration, "segregation stinks. When we are free we shall not allow countries like South Africa, Portugal, and those with similar policies (note Australia) to use even our air space. . . . I consider any racist as no better than the rubbish in the gutters and hedges. In listing countries with Nazi-like racial practices the United States must be included. . . . The idea of developing a country based on foreign experts is hollow and farcical. . . . There is no hope of omnibus guarantees on land titles. . . . First and foremost, numbers of African landless should be resettled free on land which the British Government should help our Government to acquire."

## • The Investor •

*In the past months*, I have pointed out the dangers of buying new popular stocks selling at high multiple times current earnings. There is another side of the coin worthy of examination; i.e., those new issue stocks selling at rather high multiples which will justify paying today's prices. The problem, of course, is to choose the relatively few which will continue the rapid growth demonstrated in recent years. Unusual capital gains situations from successful selection may warrant inclusion of at least a few of these stocks in one's portfolio.

In June 1960, an underwriting company introduced to public ownership shares in a certain toy manufacturing company at 10. After selling at a high of  $47\frac{1}{2}$  it is now bid 40. And yet there is reason to believe this company's sales and earnings may continue to grow at the 25% compounded rate averaged during the past five years.

Should this rate of growth be continued for the five years, purchase today would prove to have been well worth while. Maintenance of the present price earnings ratio would then result in a price of 90. Even a drop in earnings ratio to a modest 20 times would produce a price of 73. There is at least a possibility that the present 25 times earnings ratio based on \$1.65 per share projection for the current fiscal year (34 times last year's \$1.20 earnings) will be exceeded five years from now, and that the 90 price will prove highly conservative.

The toy manufacturing business five to ten years ago seemed an unlikely area for investor interest. The industry had the reputation of being low margin, cut-throat, and highly speculative.

During 1960, the stocks of three toy manufacturers were introduced to the investor public. Each of these three had shown impressive gains in sales and earnings over the past five years, and each stock had attracted investors looking for new areas of rapid growth.

What factors are responsible for this development? The rapid rise in discretionary income has much enlarged the market for higher-priced imaginative toys in contrast to the time when discretionary income was largely limited to the numerically small wealthy groups.

Today the family with a \$6,000 to \$12,000 income can and does afford dolls priced from \$18 to \$30, and even a galloping hobby horse at \$44. Some toy manufacturers have found that a large segment of the public will buy its children expensive toys and they have demonstrated exceptional ingenuity in designing a stream of imaginative toys and made use, in the merchandising of these toys, of the newer mediums of advertising.

The toy business sold \$1.7 billion worth of merchandise at retail prices in 1960. The company to whose stock I referred is one of the leaders and yet it had gross revenues in the 1961 fiscal year of only \$26 million at factory prices. Even after adjusting the industry's \$1.7 billion sales to factory prices, the sales of this company are a

very small fraction of the total. And total industry sales are climbing. Opportunity for growth by the more successful toy companies is therefore greater than in many other industries, in which a few companies account for a major share of the industry's sales.

What evidence have we that this particular toy company, whose sales have grown at a 25% compound rate, will continue this outstanding performance?

Starting in 1943, the company specialized in a line of musical toys with a patented music box. The company now designs, assembles, manufactures, and markets more than 100 toys sold under its own name. The five major lines are musical toys, toy guns and accessories, dolls and accessories, games, and "Blaze," a mechanical hobby horse. The latter two are new fields for the company.

Products are sold at rather high retail prices and a relatively high margin of profit has been maintained through high product quality, unique design, and a growing acceptance of its trade name. Its current \$2.5 million advertising and promotion budget is centered around a twice-weekly television cartoon program, which is carried nationally over the ABC network. This policy of year-round national television advertising was begun in 1955 and is still unique in the industry.

The company's research and design expenditures now exceed \$750,000 a year. This grew from \$500,000 in the year ending February 27, 1960 to \$660,000 in fiscal 1961. Often two years of development take place before a new product is accepted for production.

Among the company's best known products are an 11-inch debutante doll with about 50 different costume changes; a 20-inch patented talking doll which can say 11 different phrases; "Winchester" toy pistols; a mechanical tommy gun, and a guitar with eight musical discs. National chain stores and mail order houses account for about 20% of sales and the balance is sold widely through manufacturers' representatives to more than 2,000 toy wholesalers, who in turn distribute them to nearly every retail outlet in the nation.

The company's debutante doll and accessories are manufactured in Japan, an indication of management flexibility in achieving an excellent product at an advantageous low cost.

There is much to justify a belief that earnings and sales of this toy company will continue to grow at an average 25% compounded rate per year. Therefore, including its shares in a fair-sized investment portfolio appears a reasonably prudent decision.

I believe, however, that such a purchase should be made only if the investor is prepared to sit through substantial setbacks in price. Hopes and fears and unexpected temporary difficulties can affect over-all market evaluations of stocks in important measure. Unless one is willing to sit through a possible, but by no means certain, 25% to 35% setback without panicking, one should not acquire high multiple stocks. They are not suited to every investor.

NORVIN R. GREENE



